

# Business

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## The company car conundrum

*Should you go for a company car, or take the cash instead? This is an uncertainty many soon-to-be company car users face, so our straightforward guide sets out the advantages and disadvantages of both.*

A company car certainly appears like a top deal, but there are advantages to leaving the scheme – even if your role involves driving.

Purchase a car outright and you will be investing in an asset that you can sell on again eventually. You'll also be able to select from a wider variety of cars than your company might offer.

Some company car schemes will offer vehicles from only one marque, or will disallow stylish choices, such as convertibles and coupes. You may also discover that you are restricted by engine size.

Even if you are a top executive, the inventory of cars available may be determined by CO2 emissions or safety scores, both of which can influence the leasing costs for your employer.

Going for a vehicle privately also gives you the autonomy to choose between petrol or diesel cars, while your employer might drive you towards diesel.

The money you'll be offered as an alternative to a company car will be approximately what your firm would have shelled out to lease the vehicle. There will possibly be a few stipulations, subject to their calculation method.

If you want to know how much ready cash is up for

grabs, ask your HR department or fleet manager. Once you're aware of the hard cash value, the first thing to keep in mind is that the funds will be part of your salary, so will be subject to your level of personal income tax. That means you will have less to spend on a private vehicle than the value of the company car lease you would have had.

For instance, a 40 per cent taxpayer with a vehicle allowance of £5,500 added to their annual remuneration could wind up with just £3,300 after tax. From that amount you'll not only have to buy the private car, but you'll also have to fork out for car insurance, road tax and servicing.

In practice, selecting a company car involves less hassle. Many members of staff stay with a company vehicle because the employer's lease company sorts all the maintenance, too. For some employees, this absence of effort can vindicate the cost of company car tax alone.

But, in the long run, if you do your research properly, you can end up with a lovely set of wheels using either the company car scheme or taking the cash alternative.

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